

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 FEAE-00

INT-05 OES-03 /064 W

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P R 171211Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 9066

AMEMBASSY TOKYO PRIORITY

INFO ALL EC CAPITALS 774

AMCONSUL MILAN

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 5377

E.O. 11652: NA

TAGS: EIND, ETRD, EEC

SUBJECT: EC FORWARD PROGRAM FOR STEEL FOR JUNE-SEPTEMBER 1975

REFS: A. EC BRUSSELS 5274

B. AMCONGEN MILAN 1055

C. EC A-202, JUNE 2, 1975

1. SUMMARY: THE CONSULTATIVE COMMITTEE OF THE EUROPEAN COAL AND STEEL COMMUNITY HAS APPROVED THE EC COMMISSION'S FORWARD PROGRAM FOR STEEL FOR JUNE-SEPTEMBER CALLING FOR A 15.4 PERCENT STEEL PRODUCTION CUT BACK. SUGGESTED REDUCTIONS VARY FROM 22 PERCENT IN GERMANY TO 4.0 PERCENT IN THE UK. THE COMMISSION HOPES THAT INDIVIDUAL COMPANIES WILL USE THE NATIONAL PRODUCTION ESTIMATES AS GUIDES FOR THEIR INDIVIDUAL PRODUCTION. A NEW REPORTING SYSTEM WILL ENCOURAGE VOLUNTARY COMPLIANCE. STEEL IMPORTS FROM JAPAN AND EAST GERMANY POSE PROBLEMS THAT THE COMMISSION IS LOOKING INTO, AND EC COMMISSION OFFICIALS WILL BE DISCUSSING JAPANESE STEEL EXPORTS TO THE EC ON JUNE 18-19 IN

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TOKYO. END SUMMARY.

BEGIN UNCLASSIFIED:

2. THE CONSULTATIVE COMMITTEE OF THE EUROPEAN COAL AND STEEL COMMUNITY APPROVED THE EC COMMISSION'S FORWARD PROGRAM FOR STEEL COVERING THE MONTHS JUNE-SEPTEMBER AT A MEETING IN LUXEMBOURG ON JUNE 13. (A COPY HAS BEEN AIR POUCHED TO EUR/RPE). AS REPORTED IN REFTEL A, THE FORWARD PROGRAM CONTAINS THE EC COMMISSION'S ESTIMATES OF REDUCTIONS IN STEEL PRODUCTION, ON A COUNTRY-BY-COUNTRY BASIS, THAT WILL BE NECESSARY DURING THE ABOVE FOUR-MONTH PERIOD TO HELP RESTORE THE EQUILIBRIUM BETWEEN REAL CONSUMPTION AND STEEL PRODUCTION. ALTHOUGH ONLY INDICATIVE, THE COMMISSION HOPES THAT EC STEEL PRODUCERS WILL FOLLOW THE ESTIMATES IN THEIR OWN PLANNING. THE FORWARD PROGRAM, WILL BE PUBLISHED IN THE OFFICIAL JOURNAL WITHIN THE NEXT FEW DAYS.

3. THE FORWARD PROGRAM BEGINS WITH GLOBAL FIGURES DEMONSTRATING THE SERIOUSNESS OF THE FALL IN STEEL DEMAND, REAL CONSUMPTION, PRICES AND STOCKS WITHIN THE EC. DURING THE FIRST FOUR MONTHS ORDERS FROM EC STEEL CONSUMERS TO EC STEEL WORKS FELL BY 34 PERCENT COMPARED TO THE SAME PERIOD IN 1974. DURING THE 1971-1972 DOWNTURN, THE FALL IN DEMAND ONLY REACHED 15 PERCENT. IN APRIL, EC STEEL PRODUCTION WAS DOWN 12 PERCENT FROM THE LEVEL OF APRIL 1974 AND IN ONE MEMBER STATE IT WAS DOWN 33 PERCENT. IN APRIL EXPORT PRICES FELL 40 TO 60 PERCENT FROM PRICE LEVELS OF APRIL 1974, AND PRICE LEVELS WITHIN THE EC DECREASED FROM 25 PERCENT TO 35 PERCENT.

4. THE PROGRAM STATES THAT DEMAND IN ALL SECTORS (E.G., MECHANICAL ENGINEERING, SHEET METAL WORKING, ELECTRICAL ENGINEERING) IS FALLING, NOT JUST IN AUTOMOBILES AND CONSTRUCTION WHERE THE SOFTNESS OF THE MARKET FIRST SHOWED UP. IT ATTRIBUTES THE DECLINE IN DEMAND TO: A) A GENERAL DECREASE IN ECONOMIC ACTIVITY WHICH HAS LEAD TO A REDUCTION OF REAL STEEL CONSUMPTION OF 9 PERCENT COMPARED WITH THE LIMITED OFFICIAL USE

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BEGINNING OF LAST YEAR AND (B) A RUNNING DOWN OF STOCKS BY THE CONSUMERS AND MERCHANTS DUE TO THE SHORTENING OF DELIVERY DATES AND THE EXPECTATION OF FURTHER FALLS IN STEEL PRICES. THE SERIOUSNESS OF THE RUNNING DOWN OF STOCKS CAN BE SEEN FROM THE FACT THAT STEEL DEMAND DECLINED 34 PERCENT WHILE REAL CONSUMPTION ONLY FELL 9 PERCENT.

4. THEPROGRAM STATES THAT "IMPORTS OF STEEL FROM  
THIRD COUNTRIES SHOULD ADAPT TO THE WEAKENING MARKET  
IN THE EC OR OTHERWISE THE EFFORT TO RESTORE INTERNAL  
EQUILIBRIUM WILL BE THWARTED AND SERIOUS DAMAGE TO THE  
EC STEEL INDUSTRY ARISE". IT ALSO NOTES THAT "IN  
PARTICULAR COUNTRIES OF THE COMMUNITY A DISQUIETING  
INCREASE OF IMPORTS HAS ALREADY TAKEN PLACE."

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FM USMISSION EC BRUSSELS

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INFO ALL EC CAPITALS 775

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5. THE ABOVE LEADS THE COMMISSION TO THE CONCLUSION  
OF ESTIMATED EC PRODUCTION (INCLUDING CONTINUOUS  
CASTING) OF 42.80 MILLION OF CRUDE STEEL IN THE  
MONTHS OF JUNE-SEPTEMBER, A DROP OF 15.4 PERCENT COMPARED  
WITH JUNE-SEPTEMBER 1974. THE PROGRAM'S COUNTRY-  
BY-COUNTRY BREAKDOWN OF THE ESTIMATED DROP IN RAW  
STEEL PRODUCTION IN MILLIONS OF METRIC TONS IS:

	1974	1974	PERCENT
GERMANY	17.87	13.90	-22.2
FRANCE	8.09	7.30	- 9.9
ITALY	7.73	6.60	-14.6
UK	7.50	7.20	- 4.0
NETHERLANDS	1.82	1.55	-14.8

BEL/LUX	7.33	6.05	-17.4
DENMARK/IRELAND	.20	.20	---
EC TOTAL	50.55	42.80	-15.4

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6. WITH REGARD TO THE IMPORT PROBLEM, IT IS WORTH  
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NOTING THAT PETRICK, THE HEAD OF THE EC COMMISSION'S STEEL  
DIRECTORATE, IS CURRENTLY IN TOKYO. ACCORDING TO  
A JAPANESE MISSION SOURCE, EC-JAPAN DISCUSSIONS OF  
THE STEEL SITUATION WILL TAKE PLACE JUNE 18-19. THESE  
DISCUSSION WILL BE IN THE FRAME WORK OF THE REGULAR  
SEMI-ANNUAL JAPAN-COMMISSION CONSULTATIONS. OUR  
JAPANESE SOURCE DOES NOT EXPECT ANY DECISIONS TO  
EMERGE FROM THE DISCUSSIONS, BUT DOES NOT EXCLUDE THE  
POSSIBILITY OF THESE DISCUSSIONS LEADING TO FURTHER  
MEETINGS WHERE DECISIONS MIGHT BE MADE. HE NOTES  
THAT PRESSURES WITHIN THE COMMUNITY FOR IMPORT  
RESTRICTIONS (OR THEIR EQUIVALENT, EXPORT RESTRAINT  
AGREEMENTS) HAVE BEEN BUILDING UP, ESPECIALLY IN  
FRANCE, BUT THAT PETRICK HAS TOLD THE JAPANESE THAT THE  
COMMISSION IS RESISTING THESE PRESSURES. HOWEVER, A  
COMMISSION SOURCE HAS INDICATED TO US THAT THE  
COMMISSION IS SEEKING SOME KIND OF RESTRAINT AGREEMENT  
ALTHOUGH HE DID NOT SAY WHETHER IT WOULD BE FORMAL  
OR INFORMAL.

7. WE HAVE BEEN TOLD THAT ANOTHER PROBLEM IS WITH  
IMPORTS FROM EAST GERMANY. QUANTITIES OF LOW-PRICE  
STEEL ARE BEING BROUGHT IN EAST GERMANY BY WEST  
GERMAN STEEL DEALERS AND SOLD IN OTHER EC COUNTRIES.  
THIS PROBLEM IS APPARENTLY UNDER DISCUSSION BETWEEN  
COMMISSION AND WEST GERMAN OFFICIALS. GREENWALD

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## Message Attributes

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